



June 30, 2006

## Medicare Prescription Drugs Packet

### Republicans' Flawed Prescription Drug Program:

- ★ **Costly:** Prohibits Medicare from negotiating with drug companies for lower prices - a proven tool used by the Veterans' Administration to reduce costs
- ★ **Complex and Confusing:** Dozens of drug plans with widely varying coverage, premiums, deductibles, and co-payments make it difficult to make informed choices
- ★ **Unfair:** Many beneficiaries will be denied payment for their drug costs between \$2,250 and \$5,100 - known as the "donut hole" - but will still have to pay monthly premiums
- ★ **Unreliable:** Prescription drug plans can change how much they charge for prescriptions during the year, when beneficiaries are locked in and are not allowed to change plans

### Democrats' Prescription for Change:

- ★ Requires Medicare to leverage its bargaining power and negotiate lower prices with drug companies so that beneficiaries get a better deal
- ★ Helps close the "donut hole" by dedicating the cost savings from price negotiation toward ending the coverage gap
- ★ Allows beneficiaries to choose a plan administered directly by Medicare
- ★ Extends the enrollment deadline to December 31<sup>st</sup> without penalty
- ★ Stops drug plans from increasing co-payments and creating burdensome administrative hurdles during the year
- ★ Ensures moderate-income Medicare beneficiaries get the drug coverage assistance they need by eliminating complex barriers

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## Democratic Prescription For Change: Fixing the Republican Prescription Drug Law

The confusion and complexity surrounding the Bush prescription drug program highlights how the law falls short in providing seniors and people with disabilities access to affordable prescription drugs. The *Democratic Prescription for Change* will make key improvements to the program so that beneficiaries get the simple, affordable, and reliable prescription drug benefit they deserve.

After a lifetime of hard work, America's seniors have earned their right to a dignified retirement. Their monthly payroll contributions to Medicare and Social Security have served as a down payment toward a secure retirement. Unfortunately, Republican policies have undermined this security. First, the Republican majority enacted a prescription drug program that does more to increase profits for big pharmaceutical companies than it does to lower prescription drug costs for seniors. Then, President Bush and House Republicans pursued a risky Social Security privatization plan that would have slashed guaranteed benefits and drained trillions of dollars from Social Security.

Democrats fought against Social Security privatization, and we are now working to fix the flaws in the Republican prescription drug program. The *Democratic Prescription for Change* will ensure:

- ★ Affordability: Reduce the cost of prescription drugs;
- ★ Simplicity: Allow individuals to choose a plan administered directly through Medicare; and
- ★ Reliability: Provide uninterrupted access to prescription drugs.

Fiscal responsibility is critical given the trillions of dollars in debt that our children and grandchildren will be forced to pay back because of misguided Republican priorities. Democrats are committed to pay-as-you-go rules, which require that tax cuts and new spending be paid for with savings elsewhere in the budget. Cost-saving measures in the Democratic proposal - including cutting wasteful subsidies to HMOs and Medicare price negotiation - will be directed toward fixing the current program for seniors and people with disabilities.

Democrats will continue to put seniors first and fight for common-sense measures to improve the flawed Bush prescription drug program.

## DEMOCRATIC PRESCRIPTION FOR CHANGE

*Democrats will put seniors and people with disabilities first and will fight for common-sense measures to improve the Bush prescription drug law.*

### **Affordability: Democrats will reduce the cost of prescription drugs.**

#### *Democratic Prescription for Change:*

- ★ Require Medicare to leverage its bargaining power and negotiate lower prices with drug companies so that seniors get a better deal.
- ★ Help close the “donut hole” by dedicating the cost savings from price negotiation toward ending the coverage gap.

#### *Flawed Republican Bill:*

- Specifically prohibits Medicare from negotiating with drug companies for lower prices - a proven tool used by the Veterans’ Administration to reduce costs.
- Many beneficiaries will be faced with a coverage gap where they will be forced to pay the entire cost of their prescriptions between \$2,250 and \$5,100 - also known as the “donut hole”—even though they will still be responsible for paying monthly premiums.

### **Simplicity: Democrats will offer a simple and efficient option directly through Medicare.**

#### *Democratic Prescription for Change:*

- ★ Allow seniors to choose a plan administered directly by Medicare - efficiently guaranteeing a simple and secure benefit that will reduce drug costs and ensure comprehensive coverage.
- ★ Extend the enrollment deadline to December 31<sup>st</sup> without penalty, so that individuals are not locked out of drug coverage for the rest of the year.

#### *Flawed Republican Bill:*

- Rather than building on the existing framework in Medicare, the Republican Congress chose to outsource prescription drug coverage to private plans resulting in an unnecessarily complex program.
- Individuals who did not sign up prior to the May 15<sup>th</sup> deadline are being forced to pay a lifetime penalty in the form of higher premiums and will be denied drug coverage until 2007.

### **Reliability: Democrats will ensure access to prescription drugs.**

#### *Democratic Prescription for Change:*

- ★ Stop drug plans from increasing co-payments and creating burdensome administrative hurdles during the year, when beneficiaries are not allowed to change plans.
- ★ Ensure moderate-income Medicare beneficiaries get the drug coverage assistance they need by eliminating complex barriers.

#### *Flawed Republican Bill:*

- Under the Bush plan, prescription drug plans can change how much they charge at any time or create administrative hurdles that make it burdensome for beneficiaries to access their prescriptions.

# **MEDICARE MUST HAVE THE AUTHORITY TO NEGOTIATE WITH DRUG COMPANIES FOR LOWER DRUG PRICES**

**A New Study Shows that Drug Prices Paid by Medicare Part D Drug Plans Are 46 Percent Higher Than Prices Paid by the VA**

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**Democrats are fighting for a proposal to require Medicare to negotiate for lower drug prices – as the VA does now.** Democrats are working to require Medicare to negotiate with drug companies for lower drug prices – a proven tool used by the Veterans’ Administration to cut costs. By using the bargaining clout of millions of veterans, the VA has been successful in using its negotiating authority to achieve deep discounts in drug prices. Democrats are working to give Medicare the same authority.

**The Bush prescription drug program actually prohibits Medicare from negotiating for lower prices.** In the bill, Republicans made it illegal for Medicare to negotiate for lower drug prices after receiving millions of dollars in campaign contributions from the drug industry.

**A new study finds that the drug prices charged by Medicare Part D private drug plans are 46 percent higher than drug prices paid by the Veterans’ Administration.** On June 22, Families USA released a new study that compared drug prices being paid by the VA with drug prices in Part D private drug plans. The study looked at the prices of the top 20 drugs prescribed for seniors. For all of the top 20 drugs, VA prices in April were lower than the lowest prices charged by Part D plans. The median price difference was 46 percent. In other words, for half of the 20 drugs, the lowest price charged by a Part D drug plan was at least 46 percent higher than the lowest price secured by the VA.

**As a result, on drug after drug, Medicare beneficiaries are paying much higher prices than veterans.** The examples in the Families USA study are startling. For example, for Norvasc, a blood pressure drug, the lowest VA price per year was \$315.84, whereas the lowest Part D plan price per year was \$463.20 – which is 46.7 percent higher. For Actonel, another blood pressure drug, the lowest VA price per year was \$372.24, whereas the lower Part D plan price per year was \$703.32 – which is 88.9 percent higher. For Fosamax, a drug for osteoporosis, the lowest VA price per year was \$265.32, whereas the lowest Part D plan price per year was \$727.92 – which is 174.4 percent higher.

**The new study also finds that the Part D private drug plans have not succeeded in using their negotiating power to hold down price increases for Medicare beneficiaries.** The new study found that, for the 20 most prescribed drugs, Part D private drug plans increased prices by about 3.7 percent over the plan’s first six months – virtually identical to the increase in the average wholesale price during that period. As Ron Pollack, head of Families USA, has pointed out, “This means that Part D plans are doing essentially nothing to contain the fast-rising prices by the drug industry.” Proponents of the Bush prescription drug program had argued that private drug plans would succeed in achieving major discounts for beneficiaries. Indeed, Mark McClellan, Administrator of the Center for Medicare and Medicaid Services, had stated, “This approach is expected to provide the best discounts on drugs – discounts as good or better than could be achieved through direct government negotiation.” However, the new Families USA study shows that this has not happened.

**Due to the lack of Medicare negotiating authority, both Medicare beneficiaries and taxpayers are paying too much for the Bush prescription drug program.** Beneficiaries are paying too much because drug prices are too high. In addition, Medicare drug prices matter for U.S. taxpayers as well. That’s because taxpayers pay for approximately three-quarters of the cost of the Bush drug program. The fact that drug prices are higher than they should be places a higher burden on U.S. taxpayers.



## MEDICARE & THE STATES: BREAKDOWN OF BENEFICIARIES

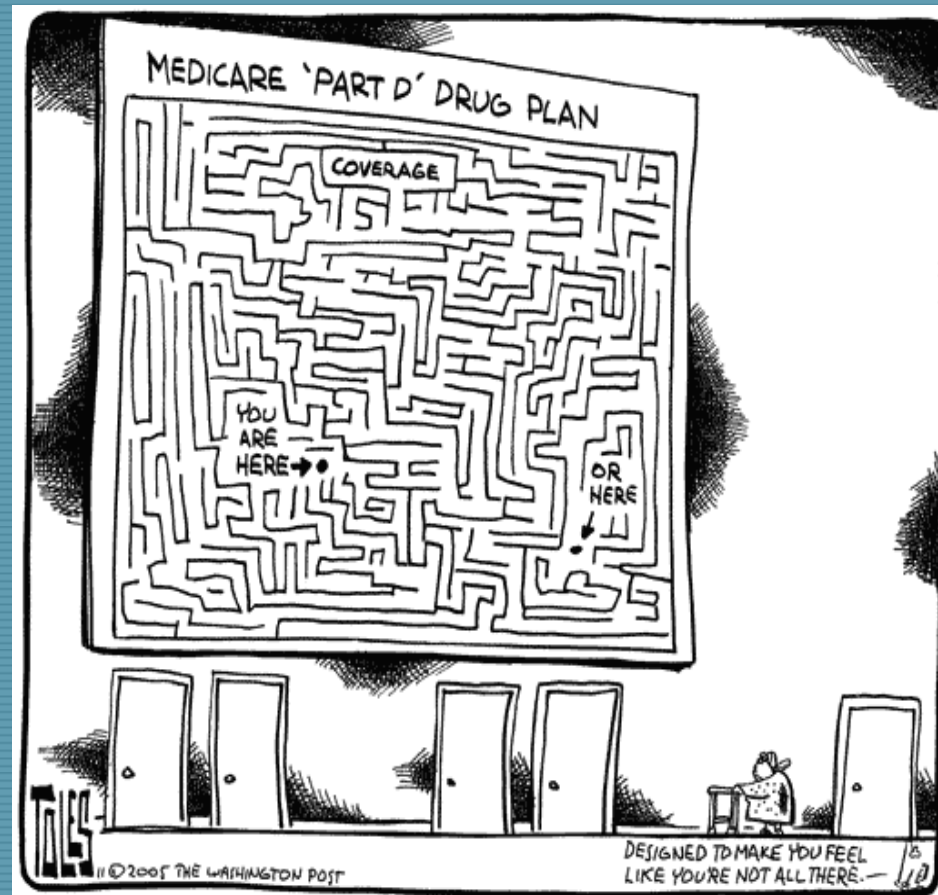
STATE	Total Beneficiaries	% Age 65 +	% Under 65, Disabled	% Dual Eligible (enrolled in Medicaid)
Alabama	765,173	79%	21%	23%
Alaska	53,218	82%	18%	19%
Arizona	797,108	86%	14%	10%
Arkansas	479,834	80%	20%	27%
California	4,325,861	87%	13%	24%
Colorado	529,442	86%	14%	15%
Connecticut	537,386	88%	12%	17%
Delaware	128,690	85%	15%	13%
DC	77,128	86%	14%	26%
Florida	3,094,899	88%	12%	15%
Georgia	1,045,818	81%	19%	19%
Hawaii	186,157	90%	10%	13%
Idaho	193,207	86%	14%	7%
Illinois	1,734,572	87%	13%	13%
Indiana	922,883	85%	15%	15%
Iowa	499,314	88%	12%	14%
Kansas	408,800	87%	13%	12%
Kentucky	690,918	77%	23%	24%
Louisiana	659,249	81%	19%	24%
Maine	239,424	81%	19%	36%
Maryland	708,981	87%	13%	14%
Massachusetts	999,121	85%	15%	23%
Michigan	1,519,223	84%	16%	16%
Minnesota	711,498	88%	12%	18%
Mississippi	465,962	77%	23%	34%
Missouri	930,083	84%	16%	18%
Montana	150,764	86%	14%	11%
Nebraska	266,386	88%	12%	15%
Nevada	302,537	86%	14%	11%
New Hampshire	190,271	85%	15%	11%
New Jersey	1,261,180	88%	12%	15%
New Mexico	270,105	84%	16%	16%
New York	2,858,747	85%	15%	23%
North Carolina	1,288,827	81%	19%	23%
North Dakota	105,800	89%	11%	16%
Ohio	1,797,320	86%	14%	13%
Oklahoma	550,500	85%	15%	19%
Oregon	546,754	87%	13%	15%
Pennsylvania	2,174,756	87%	13%	15%
Rhode Island	176,960	84%	16%	20%
South Carolina	654,600	80%	20%	20%
South Dakota	127,175	88%	12%	15%
Tennessee	933,031	81%	19%	33%
Texas	2,570,082	86%	14%	21%
Utah	237,900	88%	12%	9%
Vermont	98,336	84%	16%	32%
Virginia	1,002,150	84%	16%	16%
Washington	831,236	86%	14%	15%
West Virginia	363,200	78%	22%	16%
Wisconsin	844,212	87%	13%	16%
Wyoming	72,489	87%	13%	13%

SOURCE: Centers for Medicare & Medicaid Services, October 2005

# **DEMOCRATIC PRESCRIPTION FOR CHANGE: FIXING THE REPUBLICAN PRESCRIPTION DRUG PROGRAM**



# The Republican Prescription Drug Program



# **Democrats Have A Long History of Fighting for a Medicare Drug Benefit**

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- ✓ **Obtaining meaningful prescription drug coverage for seniors and people with disabilities in the Medicare program has long been a priority of the Democratic Party**
  - ✓ **And Democrats will keep fighting until Medicare beneficiaries have an affordable, simple and reliable prescription drug benefit**
  - ✓ **Unfortunately, the Republican prescription drug plan that went into effect in January 2006 does not provide the type of affordable, simple and reliable coverage that beneficiaries need -- so it needs to be fixed**
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# AFFORDABILITY

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# Republican Rx Drug Plan Fails to Make Drugs Truly Affordable

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Because the Republican drug plan was written to meet the interests of big drug companies, it contains no meaningful measures to bring down the price of drugs.

- ✓ It explicitly prohibits Medicare from negotiating with drug companies for lower prices – a proven tool used by the Veterans' Administration to reduce costs
  - ✓ Under the GOP plan, many beneficiaries will be faced with a coverage gap where they will be forced to pay the entire cost of their prescriptions between \$2,250 and \$5,100 – also known as the “donut hole.” This “donut hole” will also make drugs unaffordable for many beneficiaries, for part of the year.
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# GOP Plan Prohibits Medicare from Negotiating Lower Drug Prices

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- ✓ The Veterans' Administration successfully bargains with drug companies to get lower drug prices for America's veterans. But, unlike veterans, seniors will not benefit from the Medicare program's bargaining clout.
  - ✓ That's because the Medicare drug law explicitly prohibits Medicare from negotiating with drug companies for lower prices.
  - ✓ A new Families USA study shows that drug prices charged by Medicare drug plans are 46 percent higher than drug prices paid by the VA.
  - ✓ The decision by the Republican Congress to forbid Medicare from negotiating drug prices was a costly one. As a result, beneficiaries will pay more in premiums, deductibles, co-payments and other costs.
  - ✓ It also was a costly one for America's taxpayers who shoulder three-quarters of the drug program's costs.
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# The GOP “Donut Hole” Will Make Drugs Unaffordable for Many

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Under the GOP plan, many Medicare beneficiaries will be denied payment for their drug costs between \$2,250 and \$5,100 – known as the “donut hole.”

- ✓ Once beneficiaries’ annual drug costs exceed \$2,250, they fall into the so-called “donut hole”: their drug coverage is interrupted.
  - ✓ While in this “donut hole,” beneficiaries pay the full cost of their drugs out of their own pockets, while still having to pay their monthly premium.
  - ✓ The “donut hole” grows over time. The CBO estimates that the “donut hole” will grow from \$2,850 today to \$5,066 in 2013.
  - ✓ This “donut hole” penalizes the sick, including those with chronic conditions such as diabetes and hypertension.
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# **The Democratic Prescription for Change: Affordability**

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**In order to make prescription drugs more affordable for our nation's Medicare beneficiaries and to save taxpayer dollars, the Democratic Prescription for Change would:**

- ✓ **Repeal the GOP's prohibition on Medicare negotiating authority and instead require Medicare to leverage its bargaining power and negotiate lower drug prices with drug companies on behalf of our seniors and people with disabilities**
  - ✓ **Help close the "donut hole" by dedicating the cost savings from price negotiation toward ending the coverage gap**
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# SIMPLICITY

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# Republican Plan Is Too Complex, Causing Confusion and Frustration

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There are anywhere between 40 and 60 private drug plans from which to choose in each state – drug plans that vary dramatically.

The dozens of private drug plans in each state vary widely on:

- ✓ Premiums
- ✓ Deductibles
- ✓ Co-payments
- ✓ Covered drugs
- ✓ Access to local pharmacies



These plans are so different from each other that comparing them is often very difficult, time-consuming, and confusing.

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# **Republican Plan Is Too Complex, Causing Confusion and Frustration**

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**Many seniors and people with disabilities from across the country have complained that the Republican drug plan is unnecessarily complex:**

- ✓ **With the bewildering number of choices, many Medicare beneficiaries have found it difficult to make an informed decision about which of the multiple drug plans will be best for them**
  - ✓ **Typical is the comment of a 73-year-old retired chemist in Wichita, Kansas, who said “I have a PhD, and it’s too complicated for me.”**
  - ✓ **Even after they sign up for a drug plan, many beneficiaries have experienced difficulties -- unable to get needed information from their private drug plan or unable to obtain prescriptions that they need**
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# Because of the Complexity, Millions Will End Up Paying a Lifetime Penalty

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- ✓ Under the Republican plan, Medicare beneficiaries had to enroll in a private drug plan by May 15 in order to avoid a steep lifetime penalty
  - ✓ Due to the plan's enormous complexity, millions of Medicare beneficiaries have missed the May 15 deadline
  - ✓ Many of these beneficiaries will end up having to pay a lifetime penalty of higher Medicare premiums when they sign up for a drug benefit in coming years
  - ✓ The lifetime penalty is an increase in monthly premiums of 1 percent for every month past the deadline that a beneficiary signs up
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# Under GOP Plan, Seniors Can't Choose A Simple Benefit Directly from Medicare

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- ✓ Rather than building on the existing framework in Medicare, the Republican Congress chose to outsource prescription drug coverage to private plans resulting in this unnecessarily complex program.
- ✓ Under the GOP plan, a beneficiary is not allowed to obtain their drug coverage directly from Medicare – which would provide access to a simple, uniform benefit that is ensured to cut their drug costs.



# **The Democratic Prescription for Change: Simplicity**

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**In order to ensure beneficiaries have access to a simple benefit and also to prevent beneficiaries having to pay a penalty for the Bush plan's complexity, the Democratic Prescription for Change would:**

- ✓ **Allow seniors to choose a drug plan administered directly by Medicare – guaranteeing a simple and secure benefit that will reduce drug costs and ensure comprehensive coverage**
  - ✓ **Extend the enrollment deadline to December 31<sup>st</sup> without penalty, so that individuals are not locked out of drug coverage for the rest of the year and so that no one has to pay the unfair Bush lifetime penalty**
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# RELIABILITY

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# **Under the GOP Plan, the Drug Benefit Is Unreliable**

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**Under the Republican program, the drug benefit is unreliable:**

- ✓ **A private drug plan can change the drugs it covers and the co-payments it charges anytime during the year, but beneficiaries are locked in and cannot change plans until the next year.**
  - ✓ **Private drug plans, in many cases, have administrative hurdles -- like dispensing limits and pre-approval requirements -- that make it burdensome for beneficiaries to access their prescriptions.**
  - ✓ **Beneficiaries may find their out-of-pocket costs under a private drug plan rising steeply throughout the year or find that their plan no longer covers a needed drug.**
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# **The Democratic Prescription for Change: Reliability**

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**In order to ensure our nation's seniors and people with disabilities have access to a reliable benefit, upon which they can depend, the Democratic Prescription for Change would:**

- ✓ **Stop drug plans from changing drugs they cover, increasing co-payments and creating burdensome administrative hurdles during the year, when beneficiaries are not allowed to change plans**
  - ✓ **Ensure moderate-income Medicare beneficiaries get the drug coverage assistance they need by eliminating complex barriers**
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# Conclusion

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- ✓ **For more than a decade, obtaining meaningful prescription drug coverage for seniors and people with disabilities in the Medicare program has been a top priority of the Democratic Party**
  - ✓ **Democrats will keep working to enact our Prescription for Change to fix the Republican prescription drug program until all Medicare beneficiaries have access to the affordable, simple and reliable prescription drug benefit they deserve**
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